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Bangladesh Budget FY 2012-13 – Agricultural Highlights

Report Categories:

Agriculture in the Economy
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Report Highlights:

Social safety net programs focused on food security account for about 12 percent of the total budget outlay. The agriculture sector allocation including fisheries and livestock is 5.1 percent of the total budget. Import duty slabs remain unchanged at 0%, 5%, 12%, and 25%. Duty free imports of major agricultural commodities including fertilizer, seeds for planting, and raw cotton are set to continue, though fresh and dried fruits excluding dates and fruit juices will be costlier due to increased supplementary duties.

General Information:

General

Bangladesh Finance Minister Mr. AMA Muhith has announced the proposed national budget for the fiscal year 2012-13 (July-Jun) with a total outlay of Taka 1.92 trillion (\$23.42 billion), which is 18.4 percent of the projected Taka 10.4 trillion (\$127 billion) gross domestic product (GDP) and 19 percent larger than the revised budget for the outgoing fiscal year. The estimated budget deficit is Taka 526.1 billion (\$6.4 billion) or 5 percent of GDP; 64 percent of this deficit is proposed to be financed from domestic sources and the rest from external sources. The Finance Minister in his speech indicated that the budget is targeted for sustaining macro-economic stability, boosting private and public investments, and moving up the trajectory of high inclusive growth. The budget allocated Taka 550 billion (\$6.7 billion) for the Annual Development Program (ADP), up by about 34 percent from the revised budget of the outgoing fiscal year. The budget projects GDP growth of 7.2 percent for FY 2012-13, helped by global economic recovery, continued growth in trade and agriculture, and sustained domestic demand, as compared to 6.7 percent growth in FY 2010-11 and provisionally estimated 6.3 percent growth in the fiscal year just ending. The inflation rate is targeted at 7.5 percent in the forthcoming year, supported by expected falling commodity prices in the global market, increased foreign exchange supplies and bumper domestic food grain production. Average inflation stood at 10.68 percent during July-April of FY 2011-12.

Agriculture

The FY 2012-13 budget includes agricultural input supports (fertilizer subsidy and subsidized seed supply), conservation of soil quality by popularizing organic and bio fertilizers, providing incentives for corn and sugar beet planting, introduction and expansion of stress tolerant crop varieties, expansion of irrigation facilities using surface water in southern areas, addressing water logging in the south-western region, expanding cultivable land by improving drainage systems in the *haor* (backswamp) areas and by creating opportunities for multiple-cropping. A total of Tk. 89.18 billion (\$1.1 billion) has been allocated for both development and non-development expenditures under the Ministry of Agriculture for fiscal year 2012-13, which is 4.7 percent of the total budget.

Subsidies for fertilizers and other agricultural inputs have been reduced to Tk. 60 billion (\$580 million) from Tk. 65 billion (\$717 million) in the revised budget of the outgoing fiscal year. The current 20-percent rebate of electricity bills for operating irrigation pumps remains in FY 2012-13. The government run Bangladesh Agriculture Development Corporation (BADC) will supply 166,252 MT of high yielding variety seeds of important crops in FY 2012-13 as compared to 144,000 MT in FY 2011-12; around Taka 1.5 billion (\$18 million) will be made available as a subsidy for this. The government-created Taka 4.12 billion (\$60 million) Agricultural Research Endowment Fund is in place for funding competitively selected research proposals for enhancing agricultural productivity.

The government has launched 95 Union Agricultural Information Communication Centers (out of 4486 unions- the lowest administrative unit) for providing farmers with up-to-date agricultural information

and problem solving advice. One hundred fifty additional centers will be operational during FY 2012-13. To facilitate marketing of farm products at fair prices “Farmers' Marketing Groups” and “Farmers Clubs” are being organized and construction of agricultural marketing-related infrastructure is underway nationwide. The target of agricultural credits disbursement has been increased to Taka 141.3 billion (\$1.72 billion) from the previous year’s Taka 138 billion (\$1.68 billion). The credit program at reduced interest in the hill districts will continue.

The FY 2012-13 budget allocation for fisheries, poultry and dairy development is Taka 9.5 billion (\$115 million), almost unchanged from the FY 2011-12 allocation.

Food Security

In the context of unexpected risks in food production arising from climate change and instability in food grain prices, Bangladesh Government is implementing the “Country Investment Plan for Food Security” and the “National Food Policy Action Plan”. The intent of the FY 2012-13 budget is to ensure fair prices for agricultural producers while keeping prices of food grains within the purchasing power of the poor. In addition to the 1.2 million “fair price” cards distributed among poor farmers, enhancement of programs under public food distribution system (Vulnerable Group Feeding, Food for Work, Vulnerable Group Development, Open Market Sales, etc.) will benefit 30 million people. The government plans to procure 1.5 million tons of food grains from the domestic market and 1.1 million tons (300,000 tons of rice and 800,000 tons of wheat) of food grains from international sources.

The Government is implementing a plan for raising Bangladesh’s food grain storage capacity to 2.2 million tons by 2015. In the past three years, the storage capacity has been increased by 200,000 tons. The FY 2012-13 budget plans to increase the capacity by another 240,000 tons by the end of 2013.

Social Safety Net

The Bangladesh social safety net programs (SSNP) consist of four broad categories, which are: (i) providing special allowances for different underprivileged sections (including the elderly, destitute women, insolvent freedom fighters, disabled adults and students, poor lactating mothers, orphans and street beggars), (ii) employment generation for the hardcore poor through microcredit and different fund management programs, (iii) food security-based activities in order better to manage the consequences of natural disasters, and (iv) providing education, healthcare, training, and technical assistance to make the new generation capable and self-reliant. The national budget for FY 2012-13 has allocated Taka 227.5 billion (\$2.78 billion) for the SSNPs, which is about 12 percent of the total budget.

Climate Change and Environment

The Bangladesh Finance Minister in his budget speech noted that to tackle the challenges of climate change, the “Bangladesh Climate Change Strategy and Action Plan,2009” had been issued and a fund

entitled "Bangladesh Climate Change Trust Fund (BCCTF)" had been created with government resources. A total of Tk. 21 billion (\$256 million) has been allocated for this fund over the last three years. The FY 2012-13 allocation for this fund is Tk. 4 billion (\$49 million). Additionally, another fund titled "Bangladesh Climate Change Resilience Fund (BCCRF)" has been created with US\$113.5 million in financial support from different development partners.

Using these funds, construction of 724 barracks for 7,240 landless families in the coastal areas was completed, and construction of 6,186 cyclone resistant houses, 74 flood rehabilitation centers in flood-prone and river erosion areas, and 100 cyclone centers in coastal areas is in progress. Other ongoing activities for minimizing the impact of climate change include transmission of early warning of disasters through the cell phone network, reducing the level of air and industrial pollution, taking measures to establish energy saving and environmentally friendly brick yards, waste management (hospitals, ship breaking industry, etc.), increased use of green fertilizers instead of chemical fertilizers, installation of effluent treatment plants in industrial premises, programs for earthquake preparedness, implementing activities like afforestation, reforestation, maintaining biodiversity, development of eco-tourism and human resources, and rehabilitation of populations displaced by climate change.

The Bangladesh finance minister recognized that protection and development of the environment has become central issues to the overall planning process of the country. Different ministries including the Ministry of Forest and Environment, Ministry of Agriculture, Ministry of Fisheries and Livestock, Ministry of Local Government, Rural Development and Cooperatives, Ministry of Power, Energy and Mineral Resources and Ministry of Land have their own environmental agendas, so the government is looking to prepare an integrated master plan to be implemented under a comprehensive program on environmental and climate change.

Import Duty Structure

The main features of the duty and tax structures applicable to agricultural commodities and processed food items in the FY 2012-13 budget are as follows:

- No change in slabs of import duty is proposed. Current duty slabs are 0 percent on capital machinery and parts, 5 percent for basic raw materials, 12 percent on intermediate goods and 25 percent on finished products. A new slab of 150 percent has been added to the existing eight supplementary duty slabs of 20%, 30%, 45%, 60%, 100%, 250%, 350%, and 500%.
- Maintains the zero-percent customs duty on staple commodities and cotton, and on inputs to production of staples (rice, wheat, onion, pulses, edible oils, seeds, fertilizers, and raw cotton).
- Additional 5-percent regulatory duty imposed in FY 2010-11 on commodities having highest import duty (25 percent) remains unchanged.
- Import duty and VAT on edible sunflower oil have been reduced to 5 percent and 10 percent from 12 percent and 15 percent, respectively.
- The existing 20-percent supplementary duty on nutritional supplements for pregnant women and

lactating mothers has been withdrawn. However, the 25-percent import duty and 15-percent VAT remain unchanged.

- The existing 20-percent supplementary duty on fresh and dried fruits (except dates) has been increased to 30 percent.
- The VAT exemption is retained on imports of onion, garlic, rice, wheat, corn, oilseeds and raw materials for production of insecticides.
- Supplementary duty on all woven and knit fabrics (with a very few exceptions) and RMG products has been increased to 60 percent from 0 or 45 percent.

The budget notes that to meet growing demand for milk through artificial insemination, steps will be taken to have consultation with all the stakeholders concerned regarding the reduction of import duties on necessary equipment.

Bangladesh exports much Ilish fish (*Tenualosa ilisha*, the national fish of Bangladesh), but no separate Harmonized System code exists for this particular fish species. The new budget proposes to introduce a separate HS Code for Ilish fish in the Bangladesh Customs Tariff (BCT).

The details of the proposed changes in import duties and supplementary duties on agricultural commodities and processed food items for FY 2012-13 are shown in Appendix-I.

Trade Liberalization

Installation of UNCTAD-developed software in five customs houses and ten land customs stations is in progress. The government recently decided to adopt the World Customs Organization (WCO) International Convention on Simplification and Harmonization of Procedures (Revised Kyoto Convention). In addition, Bangladesh has signed the WCO SAFE Framework of Standards with a view to strengthening the security and participation of customs department in trade liberalization.

There is no mention of any further steps towards trade liberalization in the Bangladesh Budget for FY 2012-13.

The details of Bangladesh Budget FY 2012-13 are available at: <http://www.mof.gov.bd/>.

Appendix- I

Proposals for revisions in import and supplementary duties in the FY 2012-13 budget*

No	H.S. Code	Descriptions	Existing FY 2011- 12 Rate (%)	FY 2012- 13 Proposed ()

				Rate (%)
Import Duty increased				
1	1511.10.90	Crude palm oil (excluding imported by VAT registered edible oil refinery industries)	0	12
Import Duty reduced				
2	0506.90.10	Bone ash	12	5
3	1512.11.00	Crude sunflower-seed or safflower oil and fraction thereof	12	5
4	1901.90.20	Dry mixed ingredients of food preparations in bulk	25	12
5	2106.90.30	Soya protein based food preparations in bulk imported by VAT registered food processing industry	25	12
Supplementary Duty waived				
6	1901.90.40	Nutritional supplement for pregnant women and breast feeding mothers, put up for retail sale	20	0
7	1901.90.91	Imported in bulk by VAT registered food processing industries	20	0
8	2103.90.10	Mixed seasoning imported by VAT registered foodstuff manufacturing industries	20	0
Supplementary Duty increased				
9	03.04 (All H.S.Codes)	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	0, 20	20
10	07.09 (All H.S.Codes)	Other vegetables, fresh or chilled	0	20
11	Various H.S.Codes	Betelnuts, mangosteens, oranges, mandarins, grapefruit including pomelos, lemons, limes and other citrus fruits (fresh or dried), grapes-fresh or dried, melons, fresh apples, pears and quinces-fresh, apricots, cherries, peaches (including nectarines), plums and sloes and other fresh fruits.	20	30
12	0902.30.00	Black tea (fermented) and partly fermented tea, in immediate packing of a content not exceeding 3 kg	0	20
13	0902.40.00	Other black tea (fermented) and other partly fermented tea	0	20
14	1702.30.20 & various others	Liquid glucose, and other glucose and glucose syrups	20	30

Proposals for revisions in import duties and supplementary duties made in the FY 2012-13 budget* (continued)

Nº	H.S. Code	Description	Existing FY 2011- 12 Rate (%)	FY 2012- 13 Proposed () Rate (%)
15	20.07 (All H.S.Codes)	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter.	20	30
16	20.09 (All H.S.Codes)	Fruit juices (including grape must) and vegetable juices, unfermented not containing added spirit, whether or not containing added sugar or other sweetening matter.	20	30
17	21.03 (All H.S.Codes, Excluding 2103.90.10	Sauces and preparations there for; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	20	30
18	2105.00.00	Ice cream and other edible ice, whether or not containing cocoa	0	30
18	22.01 (All H.S.Codes)	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	20	30
20	22.02 All H.S.Codes	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09.	100	150
21	Various H.S.Codes	Different kinds woven and knit fabrics; and different kinds of RMG items	0, 45	60

- Will be effective from July 01, 2012, subject to approval of the budget in the National Assembly

Author Defined: